

PETERSEN RANCH BANK ENABLING INSTRUMENT REVIEW OF
U.S. ARMY CORPS OF ENGINEERS COMMENTS

March 30, 2015

AGENDA

- I. March 16th Meeting Notes
- II. Grazing Buffers
- III. Hunting
- IV. Infrastructure and Groundwater Pumping
- V. Casualty Insurance
- VI. Service Area
- VII. Crediting
- VIII. Other
- IX. Next Steps/Action Items

Attachment 1:
March 16, 2015 Meeting Notes

PETERSEN RANCH MITIGATION BANK IRT MEETING NOTES

Project: Petersen Ranch Mitigation Bank [USACE: SPL-2012-00669, CDFW: 1798-2013-04-R5]

Meeting Date: 3-16-2015, 10 a.m.-1 p.m.

Purpose of Meeting: To discuss specific agency comments on the Draft Bank Enabling Instrument which was submitted to the IRT in September 2014. In particular, the following was discussed: BEI template language, roles and responsibilities as defined by BEI template, changes to Corps service area, proposed restoration actions on Elizabeth Lake, grazing,

Meeting Notes:

BEI Template Language: Sponsor team provided highlighted documents indicating which Corps' comments would affect language in the Banking templates and indicated that the Sponsor team did not necessarily disagree with these changes, but wanted to point out that the requested changes were modifications to the template language. Corps staff acknowledged that it was important to understand that they were modifying template language, but that some minor modifications to the template are acceptable and appropriate for this situation.

Comments Regarding Wetland Verification: Sponsor team pointed Corps staff to the letter from WRA, Inc. dated June 4, 2014 in which the Sponsor team provided response to the IRT comments on the Prospectus and also included a revised Delineation per the requested changes from the verification visit. All requested changes to the delineation were incorporated at that time, and the revised delineation was used in preparation of the Draft BEI. Corps staff indicated that their comments were intended to clarify that the changes had in fact been made, which the Sponsor team confirmed.

Roles and Responsibilities: Sponsor team presented some slides that clarified the different roles and responsibilities of the easement holder, endowment holder and property owner/land manager as described in the banking templates. D. Swenson indicated they were imagining a simpler structure in which all three roles were conducted by the 3rd party easement holder and follow up discussion. A. Allen clarified that the intent is to have "belts and suspenders" so that the easement holder is not monitoring themselves. Sponsor team indicated intent to stick with templates, IRT agreed. Corps and CDFW staff reiterated that the proposed 3rd party easement/endowment holder (Southwestern Resource Management Association) still needs to provide detail on their experience/financial performance. Sponsor team agreed to provide this info, but clarified that SRMA was already approved by CDFW to hold the easement and endowment funds for the SCE Mitigation.

Service Area: Sponsor team presented the difference between the EPA Level IV ecoregions (suggested by Corps staff for use in the Service Area analysis) and the USDA MLRA ecoregions (recommended for use by the SPD Service Area determination guidelines). Sponsor team indicated that Level IV ecoregions are too detailed and are not well suited for the determination of service areas and reiterated that the MLRA ecoregions were used in the current Service Area analysis. Sponsor team also indicated that they had not yet assessed the Corps recommended changes to the service areas, but will do so prior to next meeting. Corps staff indicated that they acknowledge the guidelines recommend use of the MLRA ecoregions, but the guidelines also allow flexibility in which ecoregion classification system is used. Sponsor

team also commented that there are no descriptions of the Level IV ecoregions which makes it difficult to determine which habitats they support, Corps staff said they thought there were descriptions and would forward them to the team. Service areas will be discussed further at the next meeting on March 30th.

Elizabeth Lake Restoration: Corps staff emphasized that the development plan needed much more detail for each project, as many components of the restoration proposal were unclear. Corps staff asked about the necessity for the engineered structures being utilized at Munz Canyon and Restoration sites 4 and 5. Sponsor team explained the alternatives that had been considered and the constraints that led the team to select the proposed restoration methods. Sponsor's team also explained the details of the design and how the site would function/look following restoration. After much discussion there was consensus that the proposed restoration was appropriate, however more details need to be presented in the text of the Development Plan, and maintenance of any structures that would need to be maintained/replaced would need to be added to the LTMP and endowment. Also, it was discussed that it may be most appropriate to use pre-fire vegetation data as performance standards rather than reference sites, since the entire property is recovering from fire. On-site reference sites may be appropriate to use for hydrology/sediment transport standards. Finally it was suggested that that the Sponsor team look into Burns Canyon as a potential off-site reference site.

Grazing: Sponsor team introduced some of the grazing science concepts and emphasized that the team is not proposing to introduce cattle to the property as the site has been grazed for as long as we have record (potentially for the past 200+ years). The proposal is to manage grazing for the benefit of the diverse array of terrestrial and aquatic habitats on the Bank Property. Corps commented that cattle should be excluded from the more mesic habitats (seeps, willow dominated riparian areas, etc...) but that grazing in ephemeral drainages and seasonal wetlands dominated by annual grasses is acceptable. Corps also indicated they wanted to see exclusion fencing set back from the edge of wetland/riparian some distance to further protect those resources from indirect impacts from grazing. The distance of the setback is to-be-determined based on the literature. Corps staff also requested that maximum number of livestock be included in the LTMP, and that specific standards be set for Elizabeth Lake if it is intended to be grazed. CDFW asked whether the entire property would be managed according to the Grazing Plan, or only the portions of the Bank Property that have been incorporated into the Bank since the fencelines/pastures do not follow the phase boundaries. Sponsor team indicated that the intent is to manage the entire property in the same way. CDFW also commented that the Tri-colored Blackbird breeding site should be fenced to exclude cattle.

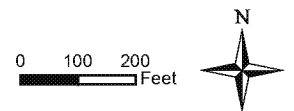
Hunting: Corps staff indicated that they felt the hunting restrictions in the CE and LTMP were too broad and needed more specific limitations and monitoring. CDFW staff stated that hunting is part of their mandate and that they had worked with the Sponsor on the current hunting terms during the SCE mitigation approval process. EPA staff stated their concern about the edge effects that people recreating on the Bank Property could have on the conservation values. Sponsor stated that hunting and game populations are regulated and monitored by CDFW, and that any hunting on the property would have to comply with the robust California hunting regulations including but not limited to seasons, ammunition restrictions, timing, and amount of take. Sponsor pointed IRT to the sections in the LTMP and CE that further restrict hunting and protect the Properties' resources by not allowing hunting to occur in the rift valley cattle exclusion area, not allowing hunting during the Swainson's hawk breeding season, and not allowing vehicles to drive anywhere other than on the existing roads. Sponsor will write a memo summarizing the current hunting regulations that pertain to the Bank Property for review by the IRT.

Attachment 2: Hunting Memo

Attachment 3:
Proposed Well Sites and
Pipelines



PROPOSED WELL SITES AND PIPELINES PETERSEN RANCH



Attachment 4: Crediting Memo

DRAFT

TO: Aaron Allen
FROM: Julie Vandermost
SUBJECT: PETERSEN RANCH CREDITING

Ex. 4 CBI

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Thank you for consideration of our request.

Cc: Tracey Brownfield
Dan Swenson
Shannon Pankretz
Tim DeGraff
Nate Bello